

CONSOLIDATED EDISON CO OF NEW YORK INC
 Form 10-Q
 May 02, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
FORM 10-Q

x Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

OR

.. Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
 For the transition period from _____ to _____

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	Consolidated Edison, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	Consolidated Edison Company of New York, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Consolidated Edison, Inc. (Con Edison) Yes No

Consolidated Edison of New York, Inc. (CECONY) Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Con Edison Yes No

CECONY Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Con Edison

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

CECONY

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Con Edison

Yes No

CECONY

Yes No

As of April 26, 2013, Con Edison had outstanding 292,894,443 Common Shares (\$.10 par value). All of the outstanding common equity of CECONY is held by Con Edison.

Filing Format

This Quarterly Report on Form 10-Q is a combined report being filed separately by two different registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. As used in this report, the term the Companies refers to Con Edison and CECONY. However, CECONY makes no representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

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Glossary of Terms

The following is a glossary of frequently used abbreviations or acronyms that are used in the Companies' SEC reports:

Con Edison Companies

Con Edison	Consolidated Edison, Inc.
CECONY	Consolidated Edison Company of New York, Inc.
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
O&R	Orange and Rockland Utilities, Inc.
Pike	Pike County Light & Power Company
RECO	Rockland Electric Company
The Companies	Con Edison and CECONY
The Utilities	CECONY and O&R

Regulatory Agencies, Government Agencies, and Quasi-governmental Not-for-Profits

EPA	U. S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO-NE	ISO New England Inc.
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSAG	New York State Attorney General
NYSDEC	New York State Department of Environmental Conservation
NYSERDA	New York State Energy Research and Development Authority
NYSPPSC	New York State Public Service Commission
NYSRC	New York State Reliability Council, LLC
PAPUC	Pennsylvania Public Utility Commission
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission

Accounting

ABO	Accumulated Benefit Obligation
ASU	Accounting Standards Update
FASB	Financial Accounting Standards Board
LILO	Lease In/Lease Out
OCI	Other Comprehensive Income
SFAS	Statement of Financial Accounting Standards
VIE	Variable interest entity

Environmental

CO ₂	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
SO ₂	Sulfur dioxide
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

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Units of Measure

AC	Alternating current
dths	Dekatherms
kV	Kilovolt
kWh	Kilowatt-hour
mdths	Thousand dekatherms
MMlbs	Million pounds
MVA	Megavolt ampere
MW	Megawatt or thousand kilowatts
MWH	Megawatt hour
Other	
AFDC	Allowance for funds used during construction
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EMF	Electric and magnetic fields
ERRP	East River Repowering Project
Fitch	Fitch Ratings
First Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013
Form 10-K	The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2012
LTIP	Long Term Incentive Plan
Moody's	Moody's Investors Service
S&P	Standard & Poor's Financial Services LLC
VaR	Value-at-Risk

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FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectation and not facts. Words such as expects, estimates, anticipates, intends, believes, plans, will and similar expressions identify forward-looking statements. Forward-looking statements are based on information available at the time the statements are made, and accordingly speak only as of that time. Actual results or developments might differ materially from those included in the forward-looking statements because of various risks, including:

the failure to operate energy facilities safely and reliably could adversely affect the Companies;

the failure to properly complete construction projects could adversely affect the Companies;

the failure of processes and systems and the performance of employees and contractors could adversely affect the Companies;

the Companies are extensively regulated and are subject to penalties;

the Utilities' rate plans may not provide a reasonable return;

the Companies may be adversely affected by changes to the Utilities' rate plans;

the Companies are exposed to risks from the environmental consequences of their operations;

a disruption in the wholesale energy markets or failure by an energy supplier could adversely affect the Companies;

the Companies have substantial unfunded pension and other postretirement benefit liabilities;

Con Edison's ability to pay dividends or interest depends on dividends from its subsidiaries;

the Companies require access to capital markets to satisfy funding requirements;

the Internal Revenue Service has disallowed substantial tax deductions taken by the company;

a cyber attack could adversely affect the Companies; and

the Companies also face other risks that are beyond their control.

Table of Contents**Consolidated Edison, Inc.****CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	For the Three Months Ended March 31,	
	2013	2012
	<i>(Millions of Dollars/ Except Share Data)</i>	
OPERATING REVENUES		
Electric	\$1,958	\$1,862
Gas	742	645
Steam	332	263
Non-utility	152	308
TOTAL OPERATING REVENUES	3,184	3,078
OPERATING EXPENSES		
Purchased power	707	781
Fuel	147	108
Gas purchased for resale	250	196
Other operations and maintenance	830	749
Depreciation and amortization	251	233
Taxes, other than income taxes	473	450
TOTAL OPERATING EXPENSES	2,658	2,517
OPERATING INCOME	526	561
OTHER INCOME (DEDUCTIONS)		
Investment and other income	4	7
Allowance for equity funds used during construction	1	
Other deductions	(3)	(4)
TOTAL OTHER INCOME (DEDUCTIONS)	2	3
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	528	564
INTEREST EXPENSE		
Interest on long-term debt	143	145
Other interest	136	5
NET INTEREST EXPENSE	279	150
INCOME BEFORE INCOME TAX EXPENSE	249	414
INCOME TAX EXPENSE	57	134
NET INCOME	192	280
Preferred stock dividend requirements of subsidiary		(3)
NET INCOME FOR COMMON STOCK	\$192	\$277
Net income for common stock per common share basic	\$0.66	\$0.95
Net income for common stock per common share diluted	\$0.65	\$0.94
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$0.615	\$0.605
AVERAGE NUMBER OF SHARES OUTSTANDING BASIC (IN MILLIONS)	292.9	292.9
AVERAGE NUMBER OF SHARES OUTSTANDING DILUTED (IN MILLIONS)	294.2	294.5

The accompanying notes are an integral part of these financial statements.

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2013	2012
	<i>(Millions of Dollars)</i>	
NET INCOME	\$192	\$280
OTHER COMPREHENSIVE INCOME, NET OF TAXES		
Pension plan liability adjustments, net of \$2 and \$5 taxes in 2013 and 2012, respectively	3	7
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	3	7
COMPREHENSIVE INCOME	195	287
Preferred stock dividend requirements of subsidiary		(3)
COMPREHENSIVE INCOME FOR COMMON STOCK	\$195	\$284

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison, Inc.****CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	For the Three Months Ended March 31,	
	2013	2012
	<i>(Millions of Dollars)</i>	
OPERATING ACTIVITIES		
Net Income	\$ 192	\$ 280
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	251	233
Deferred income taxes	(87)	68
Rate case amortization and accruals	10	31
Common equity component of allowance for funds used during construction	(1)	
Net derivative (gains)/losses	(45)	31
Other non-cash items (net)	147	64
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers, less allowance for uncollectibles	(135)	54
Special deposits	(438)	
Materials and supplies, including fuel oil and gas in storage	60	31
Other receivables and other current assets	85	(2)
Prepayments	(263)	(286)
Accounts payable	(84)	(78)
Pensions and retiree benefits obligations	270	253
Pensions and retiree benefits contributions	(235)	(184)
Accrued taxes	(18)	41
Accrued interest	174	52
Deferred charges, noncurrent assets and other regulatory assets	37	(255)
Deferred credits and other regulatory liabilities	(5)	117
Other assets	10	
Other liabilities	(9)	(48)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	(84)	402
INVESTING ACTIVITIES		
Utility construction expenditures	(538)	(471)
Cost of removal less salvage	(47)	(43)
Non-utility construction expenditures	(91)	(9)
Proceeds from grants related to renewable energy investments	13	6
Net investment in Pilesgrove solar project and other		27
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(663)	(490)
FINANCING ACTIVITIES		
Net proceeds of short-term debt	482	
Issuance of long-term debt	700	400
Retirement of long-term debt	(509)	(1)
Issuance of common shares for stock plans, net of repurchases	(1)	(8)
Debt issuance costs	(7)	(4)
Common stock dividends	(180)	(175)
Preferred stock dividends		(3)
NET CASH FLOWS FROM FINANCING ACTIVITIES	485	209
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(262)	121
BALANCE AT BEGINNING OF PERIOD	394	648
BALANCE AT END OF PERIOD	\$ 132	\$ 769
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 90	\$ 89
Income taxes	\$ 24	

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison, Inc.****CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	March 31, 2013	December 31, 2012
	<i>(Millions of Dollars)</i>	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 132	\$ 394
Special deposits	508	70
Accounts receivable – customers, less allowance for uncollectible accounts of \$94 in 2013 and 2012	1,357	1,222
Accrued unbilled revenue	399	516
Other receivables, less allowance for uncollectible accounts of \$10 in 2013 and 2012	213	228
Fuel oil, gas in storage, materials and supplies, at average cost	270	330
Prepayments	422	159
Deferred tax assets – current	440	296
Regulatory assets	32	74
Other current assets	161	162
TOTAL CURRENT ASSETS	3,934	3,451
INVESTMENTS		
	351	467
UTILITY PLANT, AT ORIGINAL COST		
Electric	22,547	22,376
Gas	5,197	5,120
Steam	2,068	2,049
General	2,291	2,302
TOTAL	32,103	31,847
Less: Accumulated depreciation	6,716	6,573
Net	25,387	25,274
Construction work in progress	1,209	1,027
NET UTILITY PLANT	26,596	26,301
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of \$73 and \$68 in 2013 and 2012, respectively	527	555
Construction work in progress	160	83
NET PLANT	27,283	26,939
OTHER NONCURRENT ASSETS		
Goodwill	429	429
Intangible assets, less accumulated amortization of \$4 in 2013 and 2012	2	2
Regulatory assets	9,484	9,705
Other deferred charges and noncurrent assets	253	216
TOTAL OTHER NONCURRENT ASSETS	10,168	10,352
TOTAL ASSETS	\$41,736	\$41,209

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	March 31, 2013	December 31, 2012
	<i>(Millions of Dollars)</i>	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$ 405	\$ 706
Notes payable	1,021	539
Accounts payable	1,065	1,215
Customer deposits	307	304
Accrued taxes	144	162
Accrued interest	327	153
Accrued wages	93	94
Fair value of derivative liabilities	15	47
Regulatory liabilities	132	183
Uncertain income tax liabilities	251	44
Other current liabilities	483	498
TOTAL CURRENT LIABILITIES	4,243	3,945
NONCURRENT LIABILITIES		
Obligations under capital leases	2	2
Provision for injuries and damages	152	149
Pensions and retiree benefits	4,438	4,678
Superfund and other environmental costs	536	545
Asset retirement obligations	160	159
Fair value of derivative liabilities	26	31
Other noncurrent liabilities	125	125
TOTAL NONCURRENT LIABILITIES	5,439	5,689
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	8,316	8,372
Regulatory liabilities	1,234	1,202
Other deferred credits	61	70
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	9,611	9,644
LONG-TERM DEBT	10,554	10,062
COMMON SHAREHOLDERS' EQUITY (See Statement of Common Shareholders' Equity)	11,889	11,869
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$41,736	\$41,209

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison, Inc.****CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY (UNAUDITED)**

	Common Stock		Additional Paid-In Capital		Retained Earnings	Treasury Stock		Accumulated Other Capital Stock		Total
	Shares	Amount	Capital	Earnings	Shares	Amount	Expense	Income/(Loss)		
<i>(Millions of Dollars/Except Share Data)</i>										
BALANCE AS OF DECEMBER 31, 2011	292,888,521	\$32	\$4,991	\$7,568	23,194,075	\$(1,033)	\$(64)	\$(58)		\$11,436
Net income for common stock				277						277
Common stock dividends				(177)						(177)
Issuance of common shares for stock plans, net of repurchases	(7,225)				7,225	(2)				(2)
Preferred stock redemption							4			4
Other comprehensive income								7		7
BALANCE AS OF MARCH 31, 2012	292,881,296	\$32	\$4,991	\$7,668	23,201,300	\$(1,035)	\$(60)	\$(51)		\$11,545
BALANCE AS OF DECEMBER 31, 2012	292,871,896	\$32	\$4,991	\$7,997	23,210,700	\$(1,037)	\$(61)	\$(53)		\$11,869
Net income for common stock				192						192
Common stock dividends				(180)						(180)
Issuance of common shares for stock plans, net of repurchases	95,468		(2)		(95,468)	7				5
Other comprehensive income								3		3
BALANCE AS OF MARCH 31, 2013	292,967,364	\$32	\$4,989	\$8,009	23,115,232	\$(1,030)	\$(61)	\$(50)		\$11,889

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison Company of New York, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	For the Three Months Ended March 31,	
	2013	2012
	<i>(Millions of Dollars)</i>	
OPERATING REVENUES		
Electric	\$1,814	\$1,735
Gas	660	563
Steam	332	263
TOTAL OPERATING REVENUES	2,806	2,561
OPERATING EXPENSES		
Purchased power	455	447
Fuel	147	108
Gas purchased for resale	219	169
Other operations and maintenance	741	645
Depreciation and amortization	233	218
Taxes, other than income taxes	451	430
TOTAL OPERATING EXPENSES	2,246	2,017
OPERATING INCOME	560	544
OTHER INCOME (DEDUCTIONS)		
Investment and other income	3	5
Other deductions	(2)	(3)
TOTAL OTHER INCOME (DEDUCTIONS)	1	2
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	561	546
INTEREST EXPENSE		
Interest on long-term debt	127	131
Other interest	5	5
NET INTEREST EXPENSE	132	136
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	429	410
INCOME TAX EXPENSE	152	134
NET INCOME	277	276
Preferred stock dividend requirements		(3)
NET INCOME FOR COMMON STOCK	\$277	\$273

The accompanying notes are an integral part of these financial statements.

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Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Month Ended March 31,	
	2013	2012
	<i>(Millions of Dollars)</i>	
NET INCOME	\$277	\$276
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Pension plan liability adjustments, net of \$- taxes in 2013 and 2012		
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES		
COMPREHENSIVE INCOME	\$277	\$276

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison Company of New York, Inc.****CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	For the Three Months Ended March 31,	
	2013	2012
	<i>(Millions of Dollars)</i>	
OPERATING ACTIVITIES		
Net income	\$277	\$276
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	233	218
Deferred income taxes	241	66
Rate case amortization and accruals	10	31
Other non-cash items (net)	(10)	15
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable—customers, less allowance for uncollectibles	(102)	43
Materials and supplies, including fuel oil and gas in storage	49	22
Other receivables and other current assets	(15)	16
Prepayments	(310)	(287)
Accounts payable	(58)	(48)
Pensions and retiree benefits obligations	250	209
Pensions and retiree benefits contributions	(235)	(184)
Superfund and environmental remediation costs (net)		(1)
Accrued taxes	(79)	57
Accrued interest	46	42
Deferred charges, noncurrent assets and other regulatory assets	28	(179)
Deferred credits and other regulatory liabilities	(14)	108
Other liabilities	39	(36)
NET CASH FLOWS FROM OPERATING ACTIVITIES	350	368
INVESTING ACTIVITIES		
Utility construction expenditures	(515)	(446)
Cost of removal less salvage	(47)	(41)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(562)	(487)
FINANCING ACTIVITIES		
Net payments of short-term debt	(108)	
Issuance of long-term debt	700	400
Retirement of long-term debt	(505)	
Debt issuance costs	(7)	(4)
Dividend to parent	(182)	(171)
Preferred stock dividends		(3)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(102)	222
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(314)	103
BALANCE AT BEGINNING OF PERIOD	353	372
BALANCE AT END OF PERIOD	\$39	\$475
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid/(refunded) during the period for:		
Interest	\$84	\$83
Income taxes	\$45	\$(20)

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	March 31, 2013	December 31, 2012
	<i>(Millions of Dollars)</i>	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 39	\$ 353
Special deposits	57	65
Accounts receivable – customers, less allowance for uncollectible accounts of \$87 in 2013 and 2012	1,210	1,108
Other receivables, less allowance for uncollectible accounts of \$8 and \$9 in 2013 and 2012, respectively	86	106
Accrued unbilled revenue	304	406
Accounts receivable from affiliated companies	143	61
Fuel oil, gas in storage, materials and supplies, at average cost	236	285
Prepayments	391	81
Regulatory assets	28	60
Deferred tax assets – current	176	193
Other current assets	35	69
TOTAL CURRENT ASSETS	2,705	2,787
INVESTMENTS		
	215	207
UTILITY PLANT AT ORIGINAL COST		
Electric	21,240	21,079
Gas	4,619	4,547
Steam	2,068	2,049
General	2,115	2,126
TOTAL	30,042	29,801
Less: Accumulated depreciation	6,142	6,009
Net	23,900	23,792
Construction work in progress	1,127	947
NET UTILITY PLANT	25,027	24,739
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of \$25 in 2013 and 2012	5	6
NET PLANT	25,032	24,745
OTHER NONCURRENT ASSETS		
Regulatory assets	8,774	8,972
Other deferred charges and noncurrent assets	188	174
TOTAL OTHER NONCURRENT ASSETS	8,962	9,146
TOTAL ASSETS	\$36,914	\$36,885

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison Company of New York, Inc.****CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	March 31, 2013	December 31, 2012
	<i>(Millions of Dollars)</i>	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$400	\$700
Notes payable	313	421
Accounts payable	890	989
Accounts payable to affiliated companies	16	22
Customer deposits	295	292
Accrued taxes	21	37
Accrued taxes to affiliated companies	152	215
Accrued interest	179	133
Accrued wages	84	84
Fair value of derivative liabilities	9	28
Uncertain income tax liabilities	7	36
Regulatory liabilities	98	145
Other current liabilities	421	410
TOTAL CURRENT LIABILITIES	2,885	3,512
NONCURRENT LIABILITIES		
Obligations under capital leases	2	2
Provision for injuries and damages	145	141
Pensions and retiree benefits	3,985	4,220
Superfund and other environmental costs	425	433
Asset retirement obligations	160	158
Fair value of derivative liabilities	8	11
Other noncurrent liabilities	116	115
TOTAL NONCURRENT LIABILITIES	4,841	5,080
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	7,734	7,452
Regulatory liabilities	1,110	1,077
Other deferred credits	57	67
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	8,901	8,596
LONG-TERM DEBT	9,640	9,145
COMMON SHAREHOLDER'S EQUITY (See Statement of Common Shareholder's Equity)	10,647	10,552
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$36,914	\$36,885

The accompanying notes are an integral part of these financial statements.

Table of Contents**Consolidated Edison Company of New York, Inc.****CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER S EQUITY (UNAUDITED)**

	Common Stock				Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other	Total
	Shares	Amount	Additional Paid-In Capital	Comprehensive Income/(Loss)					
<i>(Millions of Dollars/Except Share Data)</i>									
BALANCE AS OF DECEMBER 31, 2011	235,488,094	\$589	\$4,234	\$6,429	\$(962)	\$(64)	\$ (8)	\$10,218	
Net income				276				276	
Common stock dividend to parent				(171)				(171)	
Cumulative preferred dividends				(3)				(3)	
Preferred stock redemption							4	4	
Other comprehensive income									
BALANCE AS OF MARCH 31, 2012	235,488,094	\$589	\$4,234	\$6,531	\$(962)	\$(60)	\$ (8)	\$10,324	
BALANCE AS OF DECEMBER 31, 2012	235,488,094	\$589	\$4,234	\$6,761	\$(962)	\$(61)	\$ (9)	\$10,552	
Net income				277				277	
Common stock dividend to parent				(182)				(182)	
Other comprehensive income									
BALANCE AS OF MARCH 31, 2013	235,488,094	\$589	\$4,234	\$6,856	\$(962)	\$(61)	\$ (9)	\$10,647	

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

General

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the two separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison) and Consolidated Edison Company of New York, Inc. and its subsidiaries (CECONY). CECONY is a subsidiary of Con Edison and as such its financial condition and results of operations and cash flows, which are presented separately in the CECONY consolidated financial statements, are also consolidated, along with those of Con Edison's other utility subsidiary, Orange and Rockland Utilities, Inc. (O&R), and Con Edison's competitive energy businesses (discussed below) in Con Edison's consolidated financial statements. The term "Utilities" is used in these notes to refer to CECONY and O&R.

As used in these notes, the term "Companies" refers to Con Edison and CECONY and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, CECONY makes no representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

The separate interim consolidated financial statements of each of the Companies are unaudited but, in the opinion of their respective managements, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Companies' separate interim consolidated financial statements should be read together with their separate audited financial statements (including the combined notes thereto) included in Item 8 of their combined Annual Report on Form 10-K for the year ended December 31, 2012. Certain prior period amounts have been reclassified to conform to the current period presentation.

Con Edison has two regulated utility subsidiaries: CECONY and O&R. CECONY provides electric service and gas service in New York City and Westchester County. The company also provides steam service in parts of Manhattan. O&R, along with its regulated utility subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. Con Edison has the following competitive energy businesses: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a retail energy services company that sells electricity and also offers energy-related services; Consolidated Edison Energy, Inc. (Con Edison Energy), a wholesale energy supply and services company; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops and participates in infrastructure projects.

Table of Contents**Note A Summary of Significant Accounting Policies****Earnings Per Common Share**

For the three months ended March 31, 2013 and 2012, basic and diluted earnings per share (EPS) for Con Edison are calculated as follows:

<i>(Millions of Dollars, except per share amounts/Shares in Millions)</i>	2013	2012
Net income for common stock	\$ 192	\$ 277
Weighted average common shares outstanding basic	292.9	292.9
Add: Incremental shares attributable to effect of potentially dilutive securities	1.3	1.6
Adjusted weighted average common shares outstanding diluted	294.2	294.5
Net Income for common stock per common share basic	\$0.66	\$0.95
Net Income for common stock per common share diluted	\$0.65	\$0.94

Changes in Accumulated Other Comprehensive Income by Component

For the three months ended March 31, 2013, changes to accumulated other comprehensive income (OCI) for Con Edison and CECONY are as follows:

<i>(Millions of Dollars)</i>	Con Edison	CECONY
Accumulated OCI at December 31, 2012	\$(53)	\$ (9)
OCI before reclassifications	1	
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of \$1 and \$- for Con Edison and CECONY, respectively (a)(b)	2	
Net OCI at March 31, 2013	\$ 3	\$
Accumulated OCI, net of taxes, at March 31, 2013 (b)	\$(50)	\$ (9)

- (a) For the portion of unrecognized pension and other postretirement benefit costs relating to the regulated Utilities, costs are recorded into, and amortized out of, regulatory assets instead of OCI. The net actuarial losses and prior service costs recognized during the period are included in the computation of net periodic pension and other postretirement benefit cost. See Notes E and F.
- (b) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the income statement.

Note B Regulatory Matters**Other Regulatory Matters**

In February 2009, the New York State Public Service Commission (NYSPSC) commenced a proceeding to examine the prudence of certain CECONY expenditures following the arrests of employees for accepting illegal payments from a construction contractor. Subsequently, additional employees were arrested for accepting illegal payments from materials suppliers and an engineering firm. The arrested employees were terminated by the company and have pled guilty or been convicted. Pursuant to NYSPSC orders, a portion of the company's revenues (currently, \$249 million, \$32 million and \$6 million on an annual basis for electric, gas and steam service, respectively) is being collected subject to potential refund to customers. The amount of electric revenues collected subject to refund, which was established in a different proceeding, and the amount of gas and steam revenues collected subject to refund were not established as indicative of the company's potential liability in this proceeding. At March 31, 2013, the company had collected an estimated \$1,174 million from customers subject to potential refund in connection with this proceeding. In January 2013, a NYSPSC consultant reported its estimate, with which the company does not agree, of \$208 million of overcharges with respect to a substantial portion of the company's construction expenditures from January 2000 to January 2009. The company is disputing the consultant's estimate, including its determinations as to overcharges regarding specific construction expenditures it selected to review and its methodology of extrapolating such determinations over a substantial portion of the construction expenditures during this period. The NYSPSC's consultant has not reviewed the company's other expenditures. The company and NYSPSC staff anticipate exploring settlement negotiations in this proceeding, the schedule for which may be coordinated with the schedule for consideration of the

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company's January 2013 request for new electric, gas and steam rate plans. At March 31, 2013, the company had a \$15 million regulatory liability for refund to customers of amounts recovered from vendors, arrested employees and insurers relating to this matter. The company is unable to estimate the amount, if any, by which any refund required by the NYSPSC may exceed this regulatory liability.

In late October 2012, Superstorm Sandy caused extensive damage to the Utilities' electric distribution system and interrupted service to approximately 1.4 million customers. Superstorm Sandy also damaged CECONY's steam system and interrupted service to many of its steam customers. As of March 31, 2013, CECONY and O&R incurred response and restoration costs for Superstorm Sandy of \$431 million and \$90 million, respectively (including capital expenditures of \$113 million and \$15 million, respectively). Most of the costs that were not capitalized were deferred for recovery as a regulatory asset under the Utilities' electric rate plans. See Regulatory Assets and Liabilities below. The Utilities' New York electric rate plans include provisions for revenue decoupling, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved. The provisions of the Utilities' New York electric plans that impose penalties for operating performance provide for exceptions for major storms and catastrophic events beyond the control of the companies, including natural disasters such as hurricanes and floods. The NYSPSC, the New York State Attorney General and a commission appointed by the Governor of New York are investigating the preparation and performance of the Utilities in connection with Superstorm Sandy and other major storms.

In March 2013, the New Jersey Board of Public Utilities established a proceeding to review the prudence of costs incurred by New Jersey utilities, including Rockland Electric Company (RECO, an O&R subsidiary), in response to major storm events in 2011 and 2012. At March 31, 2013, RECO had \$27 million of storm costs deferred for recovery as a regulatory asset and had incurred \$6 million of capital expenditures related to the storms.

Table of Contents**Regulatory Assets and Liabilities**

Regulatory assets and liabilities at March 31, 2013 and December 31, 2012 were comprised of the following items:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2013	2012	2013	2012
Regulatory assets				
Unrecognized pension and other postretirement costs	\$5,443	\$5,677	\$5,191	\$5,407
Future income tax	1,952	1,922	1,851	1,831
Environmental remediation costs	721	730	607	615
Deferred storm costs	443	432	330	309
Revenue taxes	179	176	172	170
Pension and other postretirement benefits deferrals	161	183	131	154
Surcharge for New York State assessment	117	73	111	68
Net electric deferrals	97	102	97	102
Unamortized loss on reacquired debt	71	74	68	70
O&R transition bond charges	37	39		
Deferred derivative losses long-term	32	40	14	20
Preferred stock redemption	29	29	29	29
Workers compensation	20	19	20	19
Property tax reconciliation	16	16		
Recoverable energy costs long-term		23		23
Other	166	170	153	155
Regulatory assets long-term	9,484	9,705	8,774	8,972
Deferred derivative losses current	31	69	28	60
Recoverable energy costs current	1	5		
Regulatory assets current	32	74	28	60
Total Regulatory Assets	\$9,516	\$9,779	\$8,802	\$9,032
Regulatory liabilities				
Allowance for cost of removal less salvage	\$ 508	\$ 503	\$ 424	\$ 420
Property tax reconciliation	237	187	237	187
Long-term interest rate reconciliation	77	62	77	62
Net unbilled revenue deferrals	64	136	64	136
World Trade Center settlement proceeds	62	62	62	62
Carrying charges on T&D net plant electric and steam	25	31	10	13
Expenditure prudence proceeding	15	14	15	14
Gas line losses	14	14	14	14
Energy efficiency programs	6	5	6	6
Other	226	188	201	163
Regulatory liabilities long-term	1,234	1,202	1,110	1,077
Refundable energy costs current	100	82	70	48
Revenue decoupling mechanism	23	72	20	68
Deferred derivative gains current	9		8	
Electric surcharge offset		29		29
Regulatory liabilities current	132	183	98	145
Total Regulatory Liabilities	\$1,366	\$1,385	\$1,208	\$1,222

Deferred storm costs represent response and restoration costs, other than capital expenditures, in connection with Superstorm Sandy and other major storms that were deferred by the Utilities. See Other Regulatory Matters, above.

Note C Capitalization

In February 2013, CECONY issued \$700 million aggregate principal amount of 3.95 percent 30-year debentures and redeemed at maturity \$500 million of 4.875 percent 10-year debentures. In April 2013, a Con Edison Development subsidiary issued \$219 million aggregate principal amount of 4.78 percent senior notes secured by the company's California solar projects. The notes have a weighted average life of 15 years and final maturity of 2037.

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The carrying amounts and fair values of long-term debt are:

<i>(Millions of Dollars)</i>	March 31, 2013		December 31, 2012	
	Carrying	Fair	Carrying	Fair
Long-Term Debt (including current portion)	Amount	Value	Amount	Value
Con Edison	\$10,959	\$12,963	\$10,768	\$12,935
CECONY	\$10,040	\$11,792	\$ 9,845	\$11,751

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, \$12,327 million and \$636 million of the fair value of long-term debt at March 31, 2013 are classified as Level 2 and Level 3, respectively. For CECONY, \$11,156 million and \$636 million of the fair value of long-term debt at March 31, 2013 are classified as Level 2 and Level 3, respectively (see Note L). The \$636 million of long-term debt classified as Level 3 is CECONY's tax-exempt, auction-rate securities for which the market is highly illiquid and there is a lack of observable inputs.

Note D Short-Term Borrowing

At March 31, 2013, Con Edison had \$1,021 million of commercial paper outstanding of which \$313 million was outstanding under CECONY's program. The weighted average interest rate was 0.3 percent for both Con Edison and CECONY. At December 31, 2012, Con Edison had \$539 million of commercial paper outstanding of which \$421 million was outstanding under CECONY's program. The weighted average interest rate was 0.3 percent for both Con Edison and CECONY. At March 31, 2013 and December 31, 2012, no loans were outstanding under the Companies' credit agreement and \$186 million (including \$171 million for CECONY) and \$131 million (including \$121 million for CECONY) of letters of credit were outstanding, respectively, under the credit agreement.

Note E Pension Benefits**Net Periodic Benefit Cost**

The components of the Companies' net periodic benefit costs for the three months ended March 31, 2013 and 2012 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2013	2012	2013	2012
Service cost including administrative expenses	\$ 67	\$ 59	\$ 62	\$ 55
Interest cost on projected benefit obligation	134	137	126	128
Expected return on plan assets	(187)	(176)	(178)	(168)
Recognition of net actuarial loss	208	177	197	168
Recognition of prior service costs	1	2	1	2
NET PERIODIC BENEFIT COST	\$ 223	\$ 199	\$ 208	\$ 185
Cost capitalized	(82)	(64)	(79)	(63)
Reconciliation to rate level	11	(37)	13	(38)
Cost charged to operating expenses	\$ 152	\$ 98	\$ 142	\$ 84

Expected Contributions

Based on estimates as of March 31, 2013, the Companies expect to make contributions to the pension plan during 2013 of \$867 million (of which \$810 million is to be contributed by CECONY). The Companies' policy is to fund their accounting cost to the extent tax deductible. During the first quarter of 2013, CECONY contributed \$235 million to the pension plan. The Companies expect to fund \$11 million for the non-qualified supplemental plans in 2013.

Table of Contents**Note F Other Postretirement Benefits****Net Periodic Benefit Cost**

The components of the Companies' net periodic postretirement benefit costs for the three months ended March 31, 2013 and 2012 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2013	2012	2013	2012
Service cost	\$ 6	\$ 7	\$ 5	\$ 5
Interest cost on accumulated other postretirement benefit obligation	14	18	12	16
Expected return on plan assets	(19)	(21)	(17)	(18)
Recognition of net actuarial loss	16	25	14	22
Recognition of prior service cost	(7)	(5)	(6)	(4)
NET PERIODIC POSTRETIREMENT BENEFIT COST	\$ 10	\$ 24	\$ 8	\$ 21
Cost capitalized	(3)	(8)	(2)	(7)
Reconciliation to rate level	12	7	11	4
Cost charged to operating expenses	\$ 19	\$ 23	\$ 17	\$ 18

Expected Contributions

Based on estimates as of March 31, 2013, Con Edison expects to make a contribution of \$9 million, nearly all of which is for CECONY, to the other postretirement benefit plans in 2013.

Note G Environmental Matters**Superfund Sites**

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of the Utilities and their predecessors and are present at sites and in facilities and equipment they currently or previously owned, including sites at which gas was manufactured or stored.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation and remediation costs (which include costs of demolition, removal, disposal, storage, replacement, containment, and monitoring) and natural resource damages. Liability under these laws can be material and may be imposed for contamination from past acts, even though such past acts may have been lawful at the time they occurred. The sites at which the Utilities have been asserted to have liability under these laws, including their manufactured gas plant sites and any neighboring areas to which contamination may have migrated, are referred to herein as Superfund Sites.

For Superfund Sites where there are other potentially responsible parties and the Utilities are not managing the site investigation and remediation, the accrued liability represents an estimate of the amount the Utilities will need to pay to investigate and, where determinable, discharge their related obligations. For Superfund Sites (including the manufactured gas plant sites) for which one of the Utilities is managing the investigation and remediation, the accrued liability represents an estimate of the company's share of undiscounted cost to investigate the sites and, for sites that have been investigated in whole or in part, the cost to remediate the sites, if remediation is necessary and if a reasonable estimate of such cost can be made. Remediation costs are estimated in light of the information available, applicable remediation standards, and experience with similar sites.

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The accrued liabilities and regulatory assets related to Superfund Sites at March 31, 2013 and December 31, 2012 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2013	2012	2013	2012
Accrued Liabilities:				
Manufactured gas plant sites	\$457	\$462	\$348	\$351
Other Superfund Sites	79	83	77	82
Total	\$536	\$545	\$425	\$433
Regulatory assets	\$721	\$730	\$607	\$615

Most of the accrued Superfund Site liability relates to sites that have been investigated, in whole or in part. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As investigations progress and information pertaining to the required remediation becomes available, the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. Under their current rate agreements, the Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs.

Environmental remediation costs incurred and insurance recoveries received related to Superfund Sites for the three months ended March 31, 2013 and 2012 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2013	2012	2013	2012
Remediation costs incurred	\$10	\$7	\$7	\$7
Insurance recoveries received				

In 2010, CECONY estimated that for its manufactured gas plant sites, its aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other manufactured gas plant-related environmental contaminants could range up to \$1.9 billion. In 2010, O&R estimated that for its manufactured gas plant sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of such contaminants could range up to \$200 million. These estimates were based on the assumption that there is contamination at all sites, including those that have not yet been fully investigated and additional assumptions about the extent of the contamination and the type and extent of the remediation that may be required. Actual experience may be materially different.

Asbestos Proceedings

Suits have been brought in New York State and federal courts against the Utilities and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the Utilities. The suits that have been resolved, which are many, have been resolved without any payment by the Utilities, or for amounts that were not, in the aggregate, material to them. The amounts specified in all the remaining thousands of suits total billions of dollars; however, the Utilities believe that these amounts are greatly exaggerated, based on the disposition of previous claims. In 2010, CECONY estimated that its aggregate undiscounted potential liability for these suits and additional suits that may be brought over the next 15 years is \$10 million. The estimate was based upon a combination of modeling, historical data analysis and risk factor assessment. Actual experience may be materially different. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. Under its current rate agreements, CECONY is permitted to defer as regulatory assets (for subsequent recovery through rates) costs incurred for its asbestos lawsuits and workers' compensation claims. The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for the Companies at March 31, 2013 and December 31, 2012 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2013	2012	2013	2012
Accrued liability asbestos suits	\$10	\$10	\$10	\$10
Regulatory assets asbestos suits	\$10	\$10	\$10	\$10
Accrued liability workers' compensation	\$95	\$94	\$90	\$89
Regulatory assets workers' compensation	\$20	\$19	\$20	\$19

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Note H Other Material Contingencies

Manhattan Steam Main Rupture

In July 2007, a CECONY steam main located in midtown Manhattan ruptured. It has been reported that one person died and others were injured as a result of the incident. Several buildings in the area were damaged. Debris from the incident included dirt and mud containing asbestos. The response to the incident required the closing of several buildings and streets for various periods. Approximately 93 suits are pending against the company seeking generally unspecified compensatory and, in some cases, punitive damages, for personal injury, property damage and business interruption. The company has not accrued a liability for the suits. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover most of the company's costs, which the company is unable to estimate, but which could be substantial, to satisfy its liability to others in connection with the incident.

Lease In/Lease Out Transactions

In each of 1997 and 1999, Con Edison Development entered into transactions in which it leased property and then immediately subleased the properties back to the lessor (termed Lease In/Lease Out, or LILO transactions). The transactions respectively involve electric generating and gas distribution facilities in the Netherlands, with a total investment of \$259 million. The transactions were financed with \$93 million of equity and \$166 million of non-recourse, long-term debt secured by the underlying assets. In accordance with the accounting rules for leases, Con Edison is accounting for the two LILO transactions as leveraged leases. Accordingly, the company's investment in these leases, net of non-recourse debt, is carried as a single amount in Con Edison's consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive.

On audit of Con Edison's tax return for 1997, the Internal Revenue Service (IRS) disallowed tax losses in connection with the 1997 LILO transaction and assessed the company a \$0.3 million income tax deficiency. On audits of Con Edison's 1998 through 2011 tax returns, the IRS disallowed \$574 million of tax losses taken with respect to both LILO transactions. In December 2005, Con Edison paid the \$0.3 million deficiency asserted by the IRS for the tax year 1997 with respect to the 1997 LILO transaction. In April 2006, the company paid interest of \$0.2 million associated with the deficiency and commenced an action in the United States Court of Federal Claims, entitled Consolidated Edison Company of New York, Inc. v. United States, to obtain a refund of tax and interest. A trial was completed in November 2007. In October 2009, the court issued a decision in favor of the company concluding that the 1997 LILO transaction was, in substance, a true lease that possessed economic substance, the loans relating to the lease constituted bona fide indebtedness, and the deductions for the 1997 LILO transactions claimed by the company in its 1997 federal income tax return are allowable. In January 2013, the United States Court of Appeals for the Federal Circuit reversed the October 2009 trial court decision and disallowed the tax losses claimed by the company relating to the 1997 LILO transaction. In March 2013, the Court of Appeals denied the company's request to grant rehearing *en banc* of the January 2013 decision. To appeal the January 2013 decision, the company would need to file a petition for a *writ of certiorari* with the Supreme Court of the United States by June 25, 2013.

As a result of the January 2013 Court of Appeals decision, in the three months ended March 31, 2013, Con Edison recorded an after-tax charge of \$150 million to reflect, as required by the accounting rules for leveraged lease transactions, the recalculation of the accounting effect of the LILO transactions based on the revised after-tax cash flows projected from the inception of the leveraged leases as well as the interest on the potential tax liability resulting from the disallowance of federal and state income tax losses with respect to the LILO transactions (see Uncertain Tax Positions in Note I). The effect on Con Edison's

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consolidated income statement for the three months ended March 31, 2013 is as follows:

<i>(Millions of Dollars)</i>	2013
Reduction to non-utility operating revenues	\$121
Increase to other interest expense	131
Income tax expense	(102)
Total reduction in net income	\$150

The transactions did not impact earnings in 2012.

At March 31, 2013, the company's net investment in these LILo transactions was \$97 million, comprised of a \$104 million gross investment less \$7 million of deferred tax liabilities. At December 31, 2012, the company's net investment in the LILo transactions was \$(76) million, comprised of a \$228 million gross investment less \$304 million of deferred tax liabilities.

In January 2013, to defray interest charges, the company deposited \$447 million with federal and state tax agencies relating primarily to the potential tax liability from these LILo transactions in past tax years and interest thereon. In April 2013, the company requested the IRS to return \$95 million of the deposit. The company estimates that if it were to negotiate the termination of the transactions, it could receive cash proceeds of approximately \$205 million (pre-tax), which amount could be higher or lower depending on the negotiations.

Other Contingencies

See "Other Regulatory Matters" in Note B and "Uncertain Tax Positions" in Note I.

Guarantees

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison totaled \$878 million and \$859 million at March 31, 2013 and December 31, 2012, respectively.

A summary, by type and term, of Con Edison's total guarantees at March 31, 2013 is as follows:

Guarantee Type	0 - 3 years	4 - 10 years	> 10 years	Total
	<i>(Millions of Dollars)</i>			
Energy transactions	\$763	\$31	\$32	\$826
Intra-company guarantees	16			16
Other guarantees	36			36
Total	\$815	\$31	\$32	\$878

Energy Transactions Con Edison guarantees payments on behalf of its competitive energy businesses in order to facilitate physical and financial transactions in gas, pipeline capacity, transportation, oil, electricity, renewable energy credits and energy services. To the extent that liabilities exist under the contracts subject to these guarantees, such liabilities are included in Con Edison's consolidated balance sheet.

Intra-company Guarantees Con Edison guarantees electricity sales made by Con Edison Energy and Con Edison Solutions to O&R and CECONY.

Other Guarantees Con Edison and Con Edison Development also guarantee the following:

\$2 million relates to guarantees issued by Con Edison to CECONY covering a former Con Edison subsidiary's lease payment to use CECONY's conduit system in accordance with a tariff approved by the NYSPSC and a guarantee issued by Con Edison to a landlord to guarantee the former subsidiary's obligations under a building lease. The former subsidiary is obligated to reimburse Con Edison for any

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payments made under these guarantees. This obligation is fully secured by letters of credit;

\$25 million for guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with energy service projects performed by Con Edison Solutions;

\$9 million for guarantees provided by Con Edison Development to Travelers Insurance Company for indemnity agreements for surety bonds in connection with the construction and operation of solar facilities performed by its subsidiaries; and

Con Edison, on behalf of Con Edison Solutions, as a retail electric provider, issued a guarantee to the Public Utility Commission of Texas with no specified limitation on the amount guaranteed, covering the payment of all obligations of a retail electric provider. Con Edison's estimate of the maximum potential obligation is \$5 million as of March 31, 2013.

Note I Income Tax

In the first quarter of 2013, the IRS accepted on audit Con Edison's claim for manufacturing tax

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deductions. Accordingly, this quarter, Con Edison's effective tax rate was favorably impacted by \$15 million. In addition, as a result of interest expense on the LIFO disallowances and reduction to non-utility operating revenues (see Lease In/Lease Out Transactions in Note H), income before income tax expense for the first quarter of 2013 is significantly lower than the first quarter of 2012. Other recurring tax rate reconciling items in the first quarter of 2013 and 2012 are comparable; however, as a result of lower income before income tax expense in 2013, Con Edison's effective tax rate was significantly lower than 2012.

Uncertain Tax Positions

During the first quarter of 2013, the IRS accepted Con Edison's deductions for repair costs to utility plant (the repair allowance deductions). As a result of this settlement, Con Edison and CECONY reduced their estimated liabilities for prior year uncertain tax positions by \$72 million and \$66 million, respectively, with a corresponding increase to accumulated deferred income tax liabilities. In addition, as a result of the January 2013 Court of Appeals decision (see Lease In/Lease Out Transactions in Note H), Con Edison increased its estimated prior year liabilities for federal and state uncertain tax positions by \$238 million in the first quarter of 2013, with a corresponding reduction to accumulated deferred income tax liabilities. These changes to the Companies' estimated liabilities for uncertain tax positions had no impact on income tax expense in the first quarter of 2013. There were no material changes to the Companies' estimated liabilities for uncertain tax positions during the first quarter of 2012. At March 31, 2013, the estimated liabilities for uncertain tax positions for Con Edison and CECONY were \$251 million and \$7 million, respectively.

The Companies recognize interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the Companies' consolidated income statements. In the first quarter of 2013, Con Edison recognized \$126 million of interest expense (\$131 million related to the LIFO transactions, less a reduction of \$5 million in accrued interest expense primarily associated with repair allowance deductions). Con Edison's accrued interest on uncertain tax positions at March 31, 2013 was \$137 million, compared with \$11 million at December 31, 2012. Accrued interest on CECONY's consolidated balance sheet was immaterial.

The Companies reasonably expect to resolve their uncertain tax positions with the IRS within the next twelve months, and accordingly have reflected their estimated liability for uncertain tax positions as current liabilities on their respective consolidated balance sheets. At March 31, 2013, the total amount of unrecognized tax benefits that, if recognized, would affect the Companies' effective tax rate is \$6 million for Con Edison and no impact to CECONY.

Note J Financial Information by Business Segment

The financial data for the business segments are as follows:

<i>(Millions of Dollars)</i>	For the Three Months Ended March 31,							
	Operating		Inter-segment				Operating	
	revenues		revenues	Depreciation and	amortization		income	
	2013	2012	2013	2012	2013	2012	2013	2012
CECONY								
Electric	\$1,814	\$1,735	\$4	\$3	\$185	\$173	\$189	\$224
Gas	660	563	1	1	32	29	242	221
Steam	332	263	19	19	16	16	129	99
Consolidation adjustments			(24)	(23)				
Total CECONY	\$2,806	\$2,561	\$	\$	\$233	\$218	\$560	\$544
O&R								
Electric	\$145	\$128	\$	\$	\$10	\$9	\$20	\$8
Gas	82	82			4	4	27	30
Total O&R	\$227	\$210	\$	\$	\$14	\$13	\$47	\$38
Competitive energy businesses	\$152	\$310	\$2	\$2	\$4	\$2	\$(82)	\$(20)
Other*	(1)	(3)	(2)	(2)			1	(1)
Total Con Edison	\$3,184	\$3,078	\$	\$	\$251	\$233	\$526	\$561

* Parent company expenses, primarily interest, and consolidation adjustments. Other does not represent a business segment.

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Under the accounting rules for derivatives and hedging, derivatives are recognized on the balance sheet at fair value, unless an exception is available under the accounting rules. Certain qualifying derivative contracts have been designated as normal purchases or normal sales contracts. These contracts are not reported at fair value under the accounting rules.

Energy Price Hedging

Con Edison's subsidiaries hedge market price fluctuations associated with physical purchases and sales of electricity, natural gas, and steam by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts.

Effective January 1, 2013, the Companies adopted Accounting Standards Updates (ASUs) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments require the Companies to disclose certain quantitative information concerning financial and derivative instruments that are offset in the balance sheet and a description of the rights of setoff, including the nature of such rights, associated with recognized assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement.

The Companies enter into master agreements for their commodity derivatives. These agreements typically provide setoff in the event of contract termination. In such case, generally the non-defaulting or non-affected party's payable will be set-off by the other party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.

The fair values of the Companies commodity derivatives including the offsetting of assets and liabilities at March 31, 2013 were:

(Millions of Dollars)

Commodity Derivatives	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/(Liabilities) Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial instruments	Cash collateral received	
Con Edison						
Derivative assets	\$ 121	\$(64)	\$ 57(a)	\$	\$	\$57(a)
Derivative liabilities	(114)	78	(36)			(36)
Net derivative assets/(liabilities)	\$ 7	\$ 14	\$ 21(a)	\$	\$	\$21(a)
CECONY						
Derivative assets	\$ 40	\$(19)	\$ 21(a)	\$	\$	\$21(a)
Derivative liabilities	(51)	34	(17)			(17)
Net derivative assets/(liabilities)	\$ (11)	\$ 15	\$ 4(a)	\$	\$	\$ 4(a)

(a) On March 31, 2013, Con Edison and CECONY had margin deposits of \$33 million and \$14 million, respectively, classified as derivative assets in the balance sheet, but not included in the table. As required by an exchange, a margin is collateral, typically cash, that the holder of a derivative instrument has to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

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The fair values of the Companies commodity derivatives including the offsetting of assets and liabilities at December 31, 2012 were:

(Millions of Dollars)

Commodity Derivatives	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial instruments	Cash collateral received	
Con Edison						
Derivative assets	\$ 86	\$ (57)	\$ 29(a)	\$	\$	\$ 29(a)
Derivative liabilities	(176)	104	(72)			(72)
Net derivative assets/(liabilities)	\$ (90)	\$ 47	\$ (43)(a)	\$	\$	\$ (43)(a)
CECONY						
Derivative assets	\$ 27	\$ (15)	\$ 12(a)	\$	\$	\$ 12(a)
Derivative liabilities	(83)	44	(39)			(39)
Net derivative assets/(liabilities)	\$ (56)	\$ 29	\$ (27)(a)	\$	\$	\$ (27)(a)

(a) On December 31, 2012, Con Edison and CECONY had margin deposits of \$37 million and \$18 million, respectively, classified as derivative assets in the balance sheet, but not included in the table. As required by an exchange, a margin is collateral, typically cash, that the holder of a derivative instrument has to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

Credit Exposure

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the competitive energy businesses. The Companies use credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements, collateral or prepayment arrangements, credit insurance and credit default swaps.

At March 31, 2013, Con Edison and CECONY had \$157 million and \$21 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of \$55 million with investment-grade counterparties, \$44 million with commodity exchange brokers, \$55 million with independent system operators and \$3 million with non-investment grade/non-rated counterparties. CECONY's net credit exposure consisted of \$6 million with investment-grade counterparties and \$15 million with commodity exchange brokers.

Economic Hedges

The Companies enter into certain derivative instruments that do not qualify or are not designated as hedges under the accounting rules for derivatives and hedging. However, management believes these instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices.

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The fair values of the Companies' commodity derivatives at March 31, 2013 were:

<i>(Millions of Dollars)</i>	Fair Value of Commodity Derivatives(a)		
	Balance Sheet Location	Con Edison	CECONY
	Derivative Assets		
Current	Other current assets	\$ 92	\$ 30
Long-term	Other deferred charges and noncurrent assets	29	10
Total derivative assets		\$ 121	\$ 40
Impact of netting		(31)	(5)
Net derivative assets		\$ 90	\$ 35
	Derivative Liabilities		
Current	Fair value of derivative liabilities	\$ 71	\$ 32
Long-term	Fair value of derivative liabilities	43	19
Total derivative liabilities		\$ 114	\$ 51
Impact of netting		(78)	(34)
Net derivative liabilities		\$ 36	\$ 17

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

The fair values of the Companies' commodity derivatives at December 31, 2012 were:

<i>(Millions of Dollars)</i>	Fair Value of Commodity Derivatives(a)		
	Balance Sheet Location	Con Edison	CECONY
	Derivative Assets		
Current	Other current assets	\$ 64	\$ 18
Long-term	Other deferred charges and noncurrent assets	22	9
Total derivative assets		\$ 86	\$ 27
Impact of netting		(20)	3
Net derivative assets		\$ 66	\$ 30
	Derivative Liabilities		
Current	Fair value of derivative liabilities	\$122	\$ 58
Long-term	Fair value of derivative liabilities	54	25
Total derivative liabilities		\$176	\$ 83
Impact of netting		(104)	(44)
Net derivative liabilities		\$ 72	\$ 39

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

The Utilities generally recover all of their prudently incurred fuel, purchased power and gas cost, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility commissions. In accordance with the accounting rules for regulated operations, the Utilities record a regulatory asset or liability to defer recognition of unrealized gains and losses on their electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power, gas and fuel costs in the Companies' consolidated income statements. Con Edison's competitive energy businesses record realized and unrealized gains and losses on their derivative contracts in earnings in the reporting period in which they occur.

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The following table presents the changes in the fair values of commodity derivatives that have been deferred or recognized in earnings for the three months ended March 31, 2013:

Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a)**Deferred or Recognized in Income for the Three Months Ended March 31, 2013**

<i>(Millions of Dollars)</i>	Balance Sheet Location	Con Edison	CECONY
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:			
Current	Deferred derivative gains	\$ 9	\$ 8
Long-term	Regulatory liabilities	2	1
Total deferred gains/(losses)		\$ 11	\$ 9
Current	Deferred derivative losses	\$ 38	\$ 32
Current	Recoverable energy costs	11	10
Long-term	Deferred derivative losses	7	6
Total deferred gains/(losses)		\$ 56	\$ 48
Net deferred gains/(losses)		\$ 67	\$ 57
Income Statement Location			
Pre-tax gain/(loss) recognized in income			
	Purchased power expense	\$ 67(b)	\$
	Gas purchased for resale	(4)	
	Non-utility revenue	(1)(b)	
Total pre-tax gain/(loss) recognized in income		\$ 62	\$

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

(b) For the three months ended March 31, 2013, Con Edison recorded in non-utility operating revenues and purchased power expense an unrealized pre-tax gain of \$1 million and \$45 million, respectively.

The following table presents the changes in the fair values of commodity derivatives that have been deferred or recognized in earnings for the three months ended March 31, 2012:

Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a)**Deferred or Recognized in Income for the Three Months Ended March 31, 2012**

<i>(Millions of Dollars)</i>	Balance Sheet Location	Con Edison	CECONY
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:			
Current	Deferred derivative gains	\$ 1	\$ 1
Total deferred gains/(losses)		\$ 1	\$ 1
Current	Deferred derivative losses	\$ (28)	\$(19)
Current	Recoverable energy costs	(74)	(56)
Long-term	Deferred derivative losses	(18)	(17)
Total deferred gains/(losses)		\$(120)	\$(92)
Net deferred gains/(losses)		\$(119)	\$(91)
Income Statement Location			
Pre-tax gain/(loss) recognized in income			
	Purchased power expense	\$ (86)(b)	\$
	Gas purchased for resale	(1)	
	Non-utility revenue	(3)(b)	
Total pre-tax gain/(loss) recognized in income		\$ (90)	\$

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

(b) For the three months ended March 31, 2012, Con Edison recorded in non-utility operating revenues and purchased power expense an unrealized pre-tax loss of \$(4) million and \$(27) million, respectively.

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As of March 31, 2013, Con Edison had 1,096 contracts, including 553 CECONY contracts, which were considered to be derivatives under the accounting rules for derivatives and hedging (excluding qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts). The following table presents the number of contracts by commodity type:

	Electric Derivatives				Gas Derivatives		Total Number Of Contracts (a)
	Number of Energy Contracts (a)	MWHs (b)	Number of Capacity Contracts (a)	MWs (b)	Number of Contracts (a)	Dths (b)	
Con Edison	493	15,267,685	70	10,750	533	79,064,410	1,096
CECONY	101	3,844,000			452	74,340,000	553

- (a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.
- (b) Volumes are reported net of long and short positions.

The Companies also enter into electric congestion and gas basis swap contracts to hedge the congestion and transportation charges which are associated with electric and gas contracts and hedged volumes.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Companies' consolidated statement of cash flows. Most derivative instrument contracts contain provisions that may require the Companies to provide collateral on derivative instruments in net liability positions. The amount of collateral to be provided will depend on the fair value of the derivative instruments and the Companies' credit ratings.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position and collateral posted at March 31, 2013, and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade were:

(Millions of Dollars)	Con Edison (a)	CECONY (a)
Aggregate fair value net liabilities	\$19	\$14
Collateral posted	\$	\$
Additional collateral (b) (downgrade one level from current ratings)	\$	\$
Additional collateral (b) (downgrade to below investment grade from current ratings)	\$22(c)	\$15(c)

- (a) Non-derivative transactions for the purchase and sale of electricity and gas and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Utilities and Con Edison's competitive energy businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post collateral, which at March 31, 2013, would have amounted to an estimated \$32 million for Con Edison, including \$15 million for CECONY. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.
- (b) The Companies measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liabilities position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Companies have a legally enforceable right of setoff.
- (c) Derivative instruments that are net assets have been excluded from the table. At March 31, 2013, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of \$38 million, including \$1 million for CECONY.

Interest Rate Swap

O&R has an interest rate swap pursuant to which it pays a fixed-rate of 6.09 percent and receives a LIBOR-based variable rate. The fair value of this interest rate swap at March 31, 2013 was an unrealized loss of \$5 million, which has been included in Con Edison's consolidated balance sheet as a noncurrent liability/fair value of derivative liabilities and a regulatory asset. The increase in the fair value of the swap for the three months ended March 31, 2013 was \$1 million. In the event O&R's credit rating was downgraded to BBB- or lower by S&P or Baa3 or lower by Moody's, the swap counterparty could elect to terminate the agreement and, if it did so, the parties would then be required to settle the transaction.

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Note L Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Companies often make certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Companies use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Companies classify fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

Level 1 Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

Level 2 Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors, and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.

Level 3 Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

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Assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 are summarized below.

<i>(Millions of Dollars)</i>	Netting									
	Level 1		Level 2		Level 3		Adjustments(d)		Total(e)	
	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY
Derivative assets:										
Commodity (a)(e)	\$ 2	\$ 2	\$ 71	\$ 19	\$36	\$11	\$(20)	\$ 2	\$ 89	\$ 34
Other assets (c)(e)	109	102	112	103					221	205
Total	\$111	\$104	\$183	\$122	\$36	\$11	\$(20)	\$ 2	\$310	\$239
Derivative liabilities:										
Commodity (a)(e)	\$ 8	\$ 8	\$ 72	\$ 35	\$22	\$	\$(67)	\$(27)	\$ 35	\$ 16
Interest rate contract (b)(e)			5						5	
Total	\$ 8	\$ 8	\$ 77	\$ 35	\$22	\$	\$(67)	\$(27)	\$ 40	\$ 16

- (a) A portion of the commodity derivatives categorized in Level 3 is valued using an internally developed model with observable inputs. The models also include some less readily observable inputs resulting in the classification of the entire contract as Level 3. See Note K.
- (b) See Note K.
- (c) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.
- (d) Amounts represent the impact of legally-enforceable master netting agreements that allow the Companies to net gain and loss positions and cash collateral held or placed with the same counterparties.
- (e) The Companies' policy is to recognize transfers into and transfers out of the levels at the end of the reporting period. There were no transfers between levels 1, 2, and 3 for the three months ended March 31, 2013.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are summarized below.

<i>(Millions of Dollars)</i>	Netting									
	Level 1		Level 2		Level 3		Adjustments(d)		Total(e)	
	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY
Derivative assets:										
Commodity (a)(e)	\$	\$	\$ 43	\$ 8	\$33	\$10				